CRADDOCK LAW

April 19, 2017

Via UPS and Email

C. Lee Warfield, III
President
Morton G. Thalhimer, Inc.

c/o Gregory J. Haley, Esq. and
W. William Gust, Esq.
Gentry Locke
10 Franklin Road S.E., Suite 900
Roanoke, VA 24011

Re: Shareholder Demand for Morton G. Thalhimer, Inc. to Institute Suit

Dear Mr. Warfield:

As you are aware, our firm represents Steven Brincefield, a shareholder of Morton G. Thalhimer, Inc. (the "Company"). As you are also aware the value of the Company has plummeted in the past year.

The Company has a self-perpetuating board due to the decision of Paul F. Silver ("Silver") and Jeffrey S. Bisger ("Bisger") to appoint C. Lee Warfield, III ("Warfield"), Evan M. Magrill ("Magrill"), and David R. Dustin ("Dustin") as Trustees of the Morton G. Thalhimer, Inc. Employee Stock Ownership Plan ("ESOP" or "Plan"). Warfield, Magrill, and Dustin are beholden to Silver and Bisger for appointing them as directors and officers of the Company, approving their stock incentive plans, appointing them as Trustees of the Company and ESOP, and otherwise including Warfield, Magrill, and Dustin in their on-going plan to take advantage of the ESOP for the benefit of Silver, Bisger, Warfield, Magrill, and Dustin to the detriment of the Company and its shareholders. As part of the long-term plan, Warfield, Magrill, and Dustin annually reappoint themselves, Silver, and Bisger as directors and officers of the Company and its subsidiaries corporations, and managers of its subsidiary limited liability companies (collectively "Company Management"). Therefore, none of the directors, officers, or managers are disinterested.

Company Management has engaged in numerous conflicted transactions which have caused harm to the Company, including:

- The appointment of the self-perpetuating Company Management;

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- Ignoring the obvious signs of financial problems relating to MGT Construction in order to obtain a high stock purchase price from the ESOP in 2016, which according to Company Management, was the cause of the massive drop in stock value;
- The June 2016 ESOP Transaction;
- The attempts to "fix" and then later "unwind" the June 2016 ESOP Transaction to avoid personal liability under ERISA;
- Causing the Company to pay fees, costs, and expenses relating to the June 2016 ESOP transaction, for which Company Management are personally liable due to the prohibited transactions;
- Overcompensating themselves through salaries, bonuses, deferred compensation plans, and other perqs;
- Usurping corporate opportunities by making personally lucrative investments in real estate entities while using loans from the Company's funds and other Company resources to fund the deals;
- Misrepresenting the value of the Company stock to the shareholders in order to entice them to sell their shares of stock with the goal of:
  - Making the Company 100% ESOP owned so Silver, Bisger, Warfield, Magrill and Dustin could completely control the Company and accumulate money in the Company "tax free" and use the money to pay themselves executive compensation and benefits and to fund further corporate opportunities, which they could usurp;
  - Allowing Warfield, Magrill, and Dustin to divest themselves of stock that they knew was declining in value at a high price sale to the ESOP yet maintain complete control of the Corporation;
- Failing to inform SunTrust Bank that the Company was obligated to pay tax distributions under the 1998 Stockholder Agreement in order to obtain the loan to fund the ESOP transaction;
- The ESOP Transactions and other acts described in detail in the draft complaint Mr. Brincefield previously provided to the Company as a courtesy, which is attached as Exhibit A and incorporated by reference herein;
- Loans to the Company;
- Loans from the Company; and
- Refusing to provide documents in response to Mr. Brincefield's valid shareholder requests to inspect the Company's records in order to hide their wrongdoing, and instead providing Mr. Brincefield with misleading information.

Company Management's actions caused the value of the Company to plummet.

Pursuant to Virginia Code § 13.1-672.1, Mr. Brincefield demands that the Company immediately take action to sue Silver, Bisger, Warfield, Magrill, and Dustin as directors and officers of the Company and its subsidiary corporations and as managers and officers of the Company's subsidiary limited liability companies. The Company should institute a suit to recover damages to the Company caused by their actions. Such actions include but are not limited to:

waste of corporate assets, breach of fiduciary duties, statutory conspiracy, civil conspiracy, and conversion of corporate assets.

Please be advised Mr. Brincefield submits this demand without prejudice and without conceding this demand is required under the circumstances. While many of the matters that are subject to the demand constitute derivative demands, we do not concede or agree that all the claims are solely derivative claims.

Sincerely,

John H. Craddock, Jr

Enclosure

cc: Michele B. Craddock, Esquire
Mr. Steven Brincefield